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January 27, 1998

Ms. Magalie R. Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Notice
CC Docket No. 96-128

Dear Ms. Salas:

In response to a request from Rose Crellin, the National Telephone Cooperative Association ("NTCA") submits this information regarding the use of payphone in rural areas. NTCA is a national association of approximately 500 LECs. These LECs provide telecommunications services to end users and interexchange carriers throughout rural America.

PAYPHONE COMPENSATION

This information should be interpreted as indicative of the general situation in rural areas. It should not be regarded as definitive information, but it is believed to reasonably demonstrate the wide gap between the volume of calls placed on rural payphones verses the estimated number of calls that the Commission relied upon in its Second Report and Order¹ that would be made from a low traffic location.² The market based analysis contained in the Order uses 542 calls per month as the volume for a low traffic payphone. The ensuing analysis in the Order determined that the cost of access code and 800 calls would range from 24.7 cents per call to 28.1 cents per call.³

In contrast, the volumes and revenue generated by rural payphones is extremely small. In rural areas, the payphone market is very thin and very spotty. In general, these phones are not located in areas with high transient traffic and generate relatively few calls. In many instances, payphones are installed in locations to meet public service needs without regard to profitability.

¹ See Second Report and Order, FCC 97-371, released October 9, 1997, ¶¶ 49 & 50 and analysis at ¶ 99. Certain economic analysis is based on costs and revenues estimated for a low traffic [payphone] location. The Order used APCC data based on an average of 713 calls, which was adjusted to 542 calls as the number of calls at a low traffic location.

² *Id.*, ¶ 50.

³ *Id.*, ¶ 108.

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These payphones are often required by State Commissions to ensure that at least one public phone is available in certain areas. In general payphones are unprofitable for rural telephone companies.

Using data extracted from the Rural Utility Service⁴, 67 Iowa RUS borrowers, with approximately 1200 subscribers per company, averaged less than 8 payphones each. Based on the RUS 1996 Statistical Report Rural Telecommunications Borrowers the median number of subscribers per company is 2766 and the average is 6461. The average borrower has 5.8 exchanges (1114 subscribers per exchange) with 8.5 payphones per exchange. These numbers suggest that for rural companies a rule of thumb for companies over 1000 lines is 7 to 8 payphones per 1000 lines. Many payphones are placed for public service reasons and are required by state commissions.

One Iowa company⁵ with approximately 2,000 access lines has eleven payphones. For 1997 the total cash collected from coins in the box was \$1392. This was only \$10.55 per payphone per month with almost one-third collected from just one payphone. Assuming all calls were local (no toll) and cost 25 cents per call this is an average of only 42 calls per phone per month and excluding the highest location, the other ten averaged \$7.95 per month or 32 calls per month. This is only one call per day.

A review of the "800" calls placed from these same payphones is informative. During one month an average of 65 "800" calls were placed per phone. However, two-thirds of the total for the month were placed from one phone located at a truck stop on an interstate highway. The remaining ten payphones averaged 24 "800" calls per month.

Thus, the typical payphone in this company, including its best payphone location, averages 107 (42 plus 65) calls per month. This is about twenty percent of the low volume location. This suggest that per call compensation for this rural company will be woefully inadequate and should be five times greater than the calculations based on 542 calls. A single nationwide per call compensation rate is neither fair nor adequate for rural payphone providers.

FLEX ANI

Another area of concern is a mandate to provide payphone coding digits using FLEX-ANI. In those instances in which the LEC is not an equal access provider, they should not be required to offer payphone coding digits in order to receive per call compensation. It would be too costly⁶, relative to the small benefit derived for the few payphones per switch in rural areas.

⁴ RUS 1994 Statistical Report Rural Telecommunications Borrowers, pp. 38-53.

⁵ Heart of Iowa Telecommunications Cooperative, Union, Iowa.

⁶ USTA, *Ex Parte Notice*, CC Docket No. 96-128, October 24, 1997. The information provided by USTA indicates that it would cost an average of \$409,000 per non-equal access electro-mechanical switch to provide FLEX-ANI and \$44,000 per non-equal access digital

Furthermore, in a separate proceeding the Commission is considering whether to require equal access everywhere and when.⁷ The Commission tentatively concluded that end offices equipped with non-SPC switches should be required to offer equal access when they next replace the switch and that existing SPC switches should be converted to equal access within three years of adoption of a rule change. In no circumstances should non-equal access offices be required to provide Flex-ANI until they are converted to equal access.

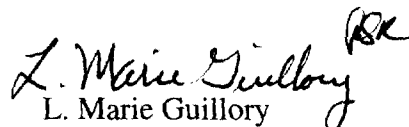
Other locations which are currently providing equal access may be able to provide Flex-ANI, but the rules should permit a waiver of the requirement on a case-by-case basis. The volumes are small and the impact on the competitive market of granting individual waiver requests to rural companies is nil.

Two copies have been submitted to the Secretary.

If there are any questions in this matter, please contact the undersigned.

Respectfully submitted,

NATIONAL TELEPHONE COOPERATIVE
ASSOCIATION


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cc: Rose Crellin
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switch.

⁷ FCC 97-386, Order on Reconsideration . . . Second Further Notice of Proposed Rulemaking, CC Docket No. 92-237, ¶ 84.